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Fantastic Opportunity – IRS does not often give us a credit of this magnitude

Provision of the “American Recovery and Reinvestment Act of 2009”

Enhancement of the 2008 “First Time Home Buyers Credit”

A first-time homebuyer purchasing a principle residence in the United States before December 1, 2009, is eligible for the first-time homebuyer credit. The credit is 10% of the residence’s purchase price, not to exceed \$8,000, \$4,000 for married filing separately.

DEFINITIONS:

First-time homebuyer – is an individual (and if married, the individual’s spouse) that did not have any present ownership interest in a principal residence during the 3 – year period ending on the date of the purchase of the principle residence

GENERAL RULES:

Dollar limitation of the credit can not exceed \$8,000 or 10% of the purchase price.

Phase out of the credit is between \$150,000 - \$170,000 MFJ and \$75,000 and \$95,000 for a single tax payer.

No recapture/payback provision as there was with the 2008 “first-time homebuyer credit, however if the home is sold within 3 years after the purchase date the credit may be recaptured.

2009 purchase may be claimed by amending the 2008 return to speed up the refund.

Refundable credit – Do not have to have a tax liability to receive the credit

Circular 230 Notice "Pursuant to recently-enacted U.S. Treasury Department Regulations, we are now required to advise you that, unless otherwise expressly indicated, any federal tax advice contained in this communication, including attachments and enclosures, is not intended or written to be used, and may not be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein."

SCENARIOS:

Question: A young couple is having a home built. Do they qualify for the new homebuyer credit?

Answer: Yes if the couple is able to move in to the home prior to the December 1st deadline.

Question: Does a principal residence have to be a house?

Answer: No, a principal residence could be a boat, house trailer, or condo.

Question: Can a single taxpayer who has not owned a home claim the credit for a home purchased in May of 2009 when the taxpayer is married in June 2009 to his/her fiancée who has owned a home?

Answer: Yes, eligibility for the credit is determined on the date of purchase. Therefore if the taxpayer buys a home prior to being married he/she would still qualify for the credit.

Question: A taxpayer and his girlfriend buy a home together. The taxpayer has not owned a home but his girlfriend owned a home previous to the purchase of this home. Can the taxpayer claim the first-time homebuyer credit?

Answer: Yes, unmarried individuals can allocate the credit as they choose. Since the girlfriend does not qualify the entire credit can go to the taxpayer. (Note: For the same situation and the couple is now married prior to the purchase the credit is not available due to both the taxpayer and spouse needing to meet the three year test (IRC 36(c))